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1850 M Street, N.W., 11th Floor  
Washington, D.C. 20036  
Telephone: (202) 828-7452

Richard D. Lawson  
Director  
Federal Regulatory Relations  
United Telephone Companies

**EX PARTE**

November 3, 1993

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

RE: In the Matter of United Telephone Companies Revisions to Tariff/FCC No. 5, Order  
(DA 93-657), released June 9, 1993, in CC Docket No. 93-162

Dear Mr. Caton:

Attached is a letter delivered today to the Common Carrier Bureau's Tariff Review Branch. The letter documents verbal responses to inquiries made by the Tariff Review Branch regarding the matter described above.

Sincerely,

A handwritten signature in cursive script that reads "Richard D. Lawson". To the right of the signature is a small, stylized mark that looks like "m".

Richard D. Lawson  
Director  
Federal Regulatory Relations

Attachment

cc: Christopher Frentrup  
Gregory Vogt

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LIST ABOVE



1850 M Street, N.W., 11th Floor  
Washington, D.C. 20036  
Telephone: (202) 828-7452

*Richard D. Lawson*  
*Director*  
*Federal Regulatory Relations*  
*United Telephone Companies*

November 3, 1993

Mr. Christopher J. Frentrop  
Federal Communications Commission  
1919 M Street, NW, Room 518  
Washington, DC 20554

Dear Mr. Frentrop:

The Common Carrier Bureau issued an Order (DA 93-657) on June 9, 1993, which, among other things, partially suspended the expanded interconnection rates for special access filed by the United Telephone companies in Transmittal Nos. 315 and 323. Specifically, the Bureau ordered United to reduce its rates because United "appears to be double-recovering for its installation labor in its conduit space, DS-1 cross connect, and DS-3 cross connect rate elements." (para. 46) The Bureau assumed that double-recovery occurred because United identified engineering and installation labor as non-recoverable cost in the support material accompanying Transmittal No. 315, in addition to separately identifying depreciation expense. The Bureau believed that the depreciation expense also included labor costs.

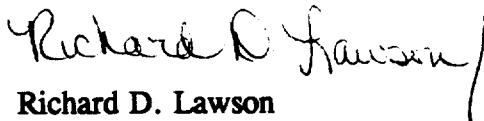
As United verbally explained to you shortly after the suspension order, the cost identified as depreciation expense does not include labor costs. The depreciation expense reflects only the costs of material required to provide these services. Labor costs are identified separately as non-recoverable costs. Attached are pages 3-6 of Exhibit 2-1 from United Telephone Company of Florida's cost support material. Page 3 supports the "conduit space, per linear foot" rate element. The \$0.50 depreciation annual cost (line 10) is calculated by first subtracting the salvage value (\$3.06 on line 8) of conduit and innerduct material from the original cost of the material shown on line 1 (\$5.57). The remainder -- \$2.51 -- is then divided by the five-year life of the material. The \$1.73 annual labor cost (non-recoverable cost on line 11) is calculated by summing the engineering and installation labor costs (lines 4 and 5) and dividing the total (line 6) also by five years. The "% total investment" corresponding to each line of "Annual Cost" (lines 10-17) is simply the percent of total installed cost (line 7) each line represents.

Mr. Christopher J. Frentrup  
November 3, 1993  
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Because United is not double-recovering labor costs, the rates resulting from the double-recovery suspension should be reconstituted by the appropriate amounts.

If you have any questions about this matter, please contact me at the address or telephone number shown above.

Sincerely,

 /MLM

Richard D. Lawson  
Director  
Federal Regulatory Relations

Attachments

## Expanded Interconnection Service Rate Development

Company: United Telephone Company of FloridaRate Element: Conduit Space, per linear foot

## A. Investment

1. Conduit / Innerduct			\$5.57	
2. Other			\$0.00	
3. Total Material Cost (L1 + L2)				\$5.57
4. Engineering Labor	Hours	Labor Rate		
	0.03	\$55.92	\$1.68	
5. Installation Labor	0.15	\$46.41	\$6.96	
6. Total Labor (L4 + L5)				\$8.64
7. Total Installed Cost (L3 + L6)				<u>\$14.21</u>
8. Net Salvage Value - Material				<u>\$3.06</u>
9. Net Installed Cost (L7 - L8)				<u>\$11.15</u>

## B. Annual Cost

		% Total Investment
10. Depreciation	\$0.50	3.53%
11. Non-recoverable Cost	\$1.73	12.16%
12. Maintenance	\$0.83	5.83%
13. Return	\$0.97	6.84%
14. Federal and State Tax	\$0.59	4.13%
15. Administration	\$2.05	14.41%
16. Other Taxes	\$0.18	1.30%
17. Total Annual Cost (L10+...+L16)	\$6.85	48.19%

## C. Pricing

18.	Proposed Non-Recurring Charge		\$0.00
19.	Monthly Direct Cost	PRICE FLOOR	\$0.40
20.	Proposed Monthly Rate		\$0.57
21.	Monthly Fully Distributed Cost	PRICE CEILING (L17 / 12)	\$0.57

Direct Cost/ Unit Invest	Direct Cost/ Rate
0.3378	0.7010

## Expanded Interconnection Service Rate Development

Company: United Telephone Company of FloridaRate Element: DS1 Electrical Cross-Connect, Physical or Virtual Collocation

## A. Investment

1. Circuit Equipment Material			\$48.00	
2. Outside Plant Material			\$0.00	
3. Total Material Cost (L1 + L2)				\$48.00
	<u>Hours</u>	<u>Labor Rate</u>		
4. Engineering Labor	0.29	\$55.92	\$15.98	
5. Installation Labor	0.57	\$46.41	\$26.52	
6. Total Labor (L4 + L5)				\$42.50
7. Total Installed Cost (L3 + L6)				\$90.50
8. Net Salvage Value - Material				\$4.80
9. Net Installed Cost (L7 - L8)				\$85.70

## B. Annual Cost

		<u>% Total</u>
		<u>Investment</u>
10. Depreciation	\$8.64	9.55%
✓ 11. Non-recoverable Cost	\$8.50	9.39%
12. Maintenance	\$5.28	5.83%
13. Return	\$5.36	5.92%
14. Federal and State Tax	\$3.23	3.57%
15. Administration	\$13.04	14.41%
16. Other Taxes	\$1.18	1.30%
17. Total Annual Cost (L10+...+L16)	\$45.23	49.98%

## C. Pricing

18.	Proposed Non-Recurring Charge		\$0.00
19.	Monthly Direct Cost	PRICE FLOOR	\$2.68
20.	PROPOSED MONTHLY RATE		\$3.70
21.	Monthly Fully Distributed Cost	PRICE CEILING (L17 / 12)	\$3.77

Direct Cost/ <u>Unit Invest</u>	Direct Cost/ <u>Rate</u>
0.3557	0.7249

## Expanded Interconnection Service Rate Development

Company: United Telephone Company of FloridaRate Element: DS3 Electrical Cross-Connect, Physical or Virtual Collocation

## A. Investment

1. Circuit Equipment Material			\$425.00	
2. Outside Plant Material			\$0.00	
3. Total Material Cost (L1 + L2)				\$425.00
	<u>Hours</u>	<u>Labor Rate</u>		
4. Engineering Labor	2.00	\$55.92	\$111.84	
5. Installation Labor	4.50	\$46.41	\$208.85	
6. Total Labor (L4 + L5)				\$320.69
7. Total Installed Cost (L3 + L6)				<u>\$745.69</u>
8. Net Salvage Value - Material				<u>\$42.50</u>
9. Net Installed Cost (L7 - L8)				<u>\$703.19</u>

## B. Annual Cost

		<u>% Total Investment</u>
10. Depreciation	\$76.50	10.26%
11. Non-recoverable Cost	\$64.14	8.60%
12. Maintenance	\$43.47	5.83%
13. Return	\$44.34	5.95%
14. Federal and State Tax	\$26.75	3.59%
15. Administration	\$107.45	14.41%
16. Other Taxes	\$9.69	1.30%
17. Total Annual Cost (L10+...+L16)	\$372.34	49.93%

## C. Pricing

18.	Proposed Non-Recurring Charge		\$0.00
19.	Monthly Direct Cost	PRICE FLOOR	\$22.07
20.	PROPOSED MONTHLY RATE		\$100
21.	Monthly Fully Distributed Cost	PRICE CEILING (L17 / 12)	\$31.03

Direct Cost/ <u>Unit Invest</u>	Direct Cost/ <u>Rate</u>
0.3552	0.7121

## Expanded Interconnection Service Rate Development

Company: United Telephone Company of FloridaRate Element: Conduit Space, Altamonte Springs Central Office, fixed

## A. Investment

1. Floor Space			\$960.20	
2. Other			\$0.00	
3. Total Investment (L1 + L2)				\$960.20
4. Engineering Labor	Hours	Labor Rate		
	0.00	\$55.92	\$0.00	
5. Installation Labor	0.00	\$46.41	\$0.00	
6. Total Labor (L4 + L5)				\$0.00
7. Total Installed Cost (L3 + L6)				\$960.20
8. Net Salvage Value - Material				\$0.00
9. Net Installed Cost (L7 - L8)				\$960.20

## B. Annual Cost

		% Total Investment
10. Depreciation	\$64.01	6.67%
11. Non-recoverable Cost	\$0.00	0.00%
12. Maintenance	\$88.24	9.19%
13. Return	\$54.01	5.63%
14. Federal and State Tax	\$32.59	3.39%
15. Administration	\$162.66	16.94%
16. Other Taxes	\$12.19	1.27%
17. Total Annual Cost (L10+...+L16)	\$413.71	43.09%

## C. Pricing

18.	Proposed Non-Recurring Charge		\$0.00
19.	Monthly Direct Cost	PRICE FLOOR	\$20.92
20.	PROPOSED MONTHLY RATE		\$24.48
21.	Monthly Fully Distributed Cost	PRICE CEILING (L17 / 12)	\$34.48

Direct Cost/ Unit Invest	Direct Cost/ Rate
0.2615	0.6068